

Section **7**

Accounting and Reporting

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Title 1, Information Provided by Accounting System

The individual school's accounting system must provide the following information, at a minimum:

- a.** The source and amount of all money received;
- b.** The purpose and amount of all disbursements;
- c.** The fund balances of the general fund and the food service fund, and the individual balances of each restricted fund account;
- d.** Data for reports and records that will demonstrate that proper procedures were followed in order to safeguard assets.

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Title 2, Accounting Records

Any accounting system should provide specific and current information concerning financial operating performance and accountability of financial resources. Basic components of an effective accounting system are discussed below.

Revenue and Expenditure Classification

General Fund

Accounts in the General Fund may be classified as follows:

Revenues--by source and subsource.

Expenditures--by function, subfunction, and object

At a minimum, revenues must be recorded by source, such as gate receipts, resale items, fees, etc. and expenditures must be recorded by function, such as administration, instruction, etc.

Restricted Fund

Revenues and expenditures must be recorded by activity, such as Beta Club, Class of 2000, Band Club, etc.

For a suggested listing of account classifications, refer to the Chart of Accounts in this Manual.

Expanded Reporting Levels

For various reasons, it may be beneficial or necessary for some schools to expand the level of reporting detail of revenue and/or expenditure classifications. This can be accomplished by adding more digits to account codes. Extended levels of reporting classifications may be beneficial for required profit analysis of fundraising activities.

Accounting Records

The following accounting records are required. It is recognized that different accounting systems may produce diverse variations and combinations of these records.

General Journal

The general journal is used to record opening entries, correction of errors, transfers between school accounts, purchases and reimbursements between school accounts, transfers between bank accounts, closing entries and other unusual transactions that are not recorded in the cash receipts or cash disbursements journals. When entries are made in the general journal, the fund, account, and amount must be identified with an explanation for the entry. All general journal entries (other than memo entries) should be posted to the general ledger at the time the journal entry is made.

Cash Receipts Journal

The cash receipts journal provides a summary record, in chronological order, of all receipts written and deposits made.

Cash Disbursements Journal

The cash disbursements journal provides a summary record, in chronological order, of all checks written.

NOTE 1: Most schools today, whether using a manual accounting system or computerized accounting system, prepare separate cash receipts and cash disbursements journals. However, a cash journal may be used. The cash journal combines the cash receipts and disbursement journals, and provides a summary record, in chronological order, of all receipts written, deposits made and checks written.

NOTE 2: Use regular checks to transfer cash from checking accounts to regular savings accounts or to purchase certificates of deposit. Enter these checks in the cash disbursements journal as a memorandum entry referring to the general journal. All details and amounts will be entered in the general journal.

General Ledger

The general ledger provides a summary of the journalized activity in the school's accounts, which includes assets, liabilities, fund balance, revenues and expenditures. Individual schools do not record fixed assets and long-term liabilities in the general ledger.

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Title 3, Financial Reporting

Periodic Financial Reports

Trial Balance

At the end of each month, after all transactions have been recorded, a trial balance should be prepared to determine if general ledger debit and credit balances are equal. If the totals of the debit and credit columns are equal, the ledger from which the figures were taken is said to be “in balance.” The trial balance is normally used to verify the accuracy of posting and is the first step in the preparation of financial statements and reports.

Cash Receipts and Disbursements Reports

At the end of each month, a sequential listing of all receipts and a sequential listing of all disbursements should be prepared.

A report detailing cash receipts and disbursements should be prepared for the general fund and for **each restricted fund account**. The general fund cash receipts and disbursements report should be given to the principal or principal's designee. Cash receipts and disbursements reports for each restricted fund account should be given to the sponsor of each account. These responsible individuals should review the reports. If errors are noted, they should be immediately communicated to the principal for follow-up. If no errors are noted, the responsible individual should sign or initial the report. If errors are noted, the corrective action taken should be written on the report, or a corrected report obtained. The original or corrected report should be returned to the bookkeeper and a copy should be retained by the responsible individual.

Other Reports

The board of education or director of schools may require individual schools to submit monthly reports detailing receipts, disbursements, outstanding obligations, etc. These reports should be submitted in accordance with established policies.

As noted previously, the board of education must establish policies regarding direct application for grants by individual schools. If direct grants are received,

the school must prepare any grantor reports required by the grant contract. In addition, these grants should be included in the financial statements and schedules, in accordance with requirements shown in the discussions below.

Financial Statements and Accompanying Schedules

The requirements established in this Manual differ from generally accepted accounting principles (GAAP) primarily in the presentation of the financial statements, which are required to be prepared annually. These financial statements should be prepared using an “Other Comprehensive Basis of Accounting” as set forth in this Manual. This basis of accounting requires that revenues and expenditures be accounted for using the modified accrual basis of accounting. This basis of accounting and the differences between internal school fund accounting and GAAP are summarized in the notes that follow the illustrative financial statements in this section.

Illustrative Financial Statements and Schedules

The exhibits on the following pages are organized as they should be in the annual audit report. It is recognized that accounting systems are diverse and the resulting financial records may require modification to develop external financial statements. While the basic format should be adhered to, modifications which present all required information will generally be considered to meet the requirements of this Manual. School officials should contact the Comptroller of the Treasury, Division of Municipal Audit, if there are questions or concerns regarding such modifications.

The preparation of the financial statements and related schedules is the responsibility of school personnel and **not** the independent public accountant who contracts for the annual audit. All accounting records should be organized, closing entries posted, and financial statements and schedules prepared as soon after the fiscal year end as possible. The audit report must be submitted by December 31 following the fiscal year end. The school system is responsible for getting a copy of this report to the Department of Education. To meet this deadline, records must be organized and financial statements and schedules must be prepared on a timely basis. Any applicable Governmental Accounting Standards Board (GASB) reporting requirements not addressed in this manual and that do not conflict with the principles set forth in this manual should continue to apply.